



FINANCE COMMITTEE SUMMARY MINUTES

Special Meeting
May 12, 2021

The Finance Committee of the City of Palo Alto met on this date in virtual teleconference at 9:00 A.M.

Present: Burt, Cormack, Filseth

Absent:

Action Items

1. Fiscal Year 2022 May 11 Budget Hearing Continuation.

Chair Cormack announced the schedule of the meeting and procedures regarding public comment. The Finance Committee's (Committee) objective was to provide tentative recommendations for restorations to City Council (Council) as well as identify areas for discussion. She emphasized that no Member of the Committee, Council, or Staff is seeking to dissolve programs and make ludicrous recommendations.

Christine Paras, Administrative Services Assistant Director declared that the Committee received two new at places memorandum. One memorandum addressed the letter sent in by Palo Alto Transportation Management Association (PATMA) and the corresponding budget adjustment. The other memorandum was sent by Office of Management and Budget (OMB) regarding crossing guard locations, adjustments to Municipal Fees, and survey responses.

Meghan Horrigan-Taylor, Chief Communications Official remarked that the Budget Survey will close on May 21, 2021, at 12:00 P.M. Between May 2, 2021, and May 11, 2021, 526 members of the public have responded to the survey. The first three questions on the survey were opportunities to share feedback and the fourth question of the survey requested additional comments that Council should consider. The results from question one indicated that community/library services are the highest priority with public safety and planning/transportation following after. The results from Question 2 prioritized neighborhood libraries and maintain distribution service as the top priority to restore funding to, with Children's Theatre Operations and Art Center Operations hours and programs following after. In terms of Question 3, the community ranked reducing Palo Alto's (City) reserves by 25 percent, use the 2nd year of the American Rescue Program Act (ARPA) funding in Fiscal Year (FY) 2021-22, and Reduce City Reserves

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by 10 percent as the top priorities of how to use alternative funding sources. Staff is reviewing the results for question four.

Kiely Nose, Administrative Services Director summarized that the Committee has directed Staff to add Phase 4 of the Charleston/Arastradero Corridor Project in the FY 2023 Capital Improvement Project (CIP) plan. Items included in the parking lot list were the Junior Museum and Zoo (JMZ) pricing analysis and the police budget reduction in patrol staffing, reduction in crossing guard services, reallocation of one lieutenant in the City Manager's Office, and the reduction in the Administration Program. Also, included in the parking lot were the proposed brown-outs for Fire Station #2. The Budget Stabilization Reserve (BSR) was estimated to be at the 18.5 percent target with the additional funding included from the preliminary Quarter Three revenues adjustment of \$2 million to \$3.3 million. The FY 2022 Proposed Budget assumed a \$1.6 million in General Fund (GF) savings from labor concessions. Labor concessions cannot be done unilaterally and if they are not achieved; alternative funding will need to be identified as outlined in the balancing strategy.

Vice Mayor Burt noted there was a reference to having the BSR at a 16.6 percent target level instead of 15 percent.

Ms. Nose explained that Council's policy is to have the BSR between 15 to 20 percent with a target of 18.5 percent. The Government Finance Officers Associations (GFOA) recommended an average of 16.6 percent for reserves which equated to 2-months of operating expenses.

Vice Mayor Burt asked how many additional dollars would be available if the BSR was reduced to 16.6 percent.

Ms. Nose answered approximately \$1 million.

Vice Mayor Burt inquired how many additional dollars would there be if 2/3s of the ARPA dollars are allocated to FY 2022 and 1/3 is allocated to FY 2023.

Ms. Nose replied \$2.8 million.

Vice Mayor Burt wanted to know how the Transfer Occupancy Tax (TOT) and the Documentary Transfer Tax (DTT) changed in the preliminary Quarter Three Revenue report.

Ms. Nose mentioned that Staff has not finalized the numbers. There will be an increase in Property Taxes and DTT but a decrease in TOT.

Vice Mayor Burt requested the subtotal amounts for the three categories.

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Ms. Nose specified that the Staff will provide those figures later in the meeting.

Vice Mayor Burt believed that the actuals for the TOT were \$18.5 million in FY 2020 and then dropped to \$14.9 million in FY 2021.

Ms. Nose confirmed that the actuals for the TOT were \$18.5 million in FY 2020, but as of mid-year for FY 2021, TOT was reduced to \$4.8 million.

Vice Mayor Burt disclosed that for the FY 2022 Proposed Budget, the TOT is estimated to be at \$8.4 million. He asked if Staff presumed that TOT will be reduced below \$8.4 million.

Ms. Nose clarified that Staff assumes the TOT will be below \$4.8 million in FY 2021. Staff has not explored the impacts of FY 2021 to FY 2022.

Chair Cormack noted that Staff has indicated that they will provide more information later in the meeting. She emphasized that the budget assumes that labor unions will be willing to have a zero percent salary increase for FY 2022. Also, for FY 2021, Council used the Council Reserve as a budgeting strategy, but those reserves are not available for FY 2022.

Council Member Filseth agreed that the Committee will have to consider FY 2023 and FY 2024 when deciding how to split up the ARPA funds.

NO ACTION TAKEN

2. Community and Library Services
 - a. Community Services
 - b. Library.

Christine Paras, Administrative Services Assistant Director remarked that the General Fund (GF) revenue for the Community Services Department (CSD) was \$11.9 million, expenses were \$28.9 million and the department had 103.72 Full-time Equivalent (FTE) Staffing positions. For the Library Department, GF revenue was \$116,116, expenses were \$8.35 million and the department had 39.59 FTE Staff positions.

Kristen O’Kane, Community Services Director shared the mission statement of CSD which is to enrich lives and build community. All the programs within CSD hold high value to residents and students, as was indicated in the Budget Survey. The reduction impacts made during FY 2021 have not fully been felt because of the continued restrictions due to the Pandemic. CSD follows the levels of cost recovery as outlined in Palo Alto’s (City) policy. To

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balance the budget, the department is seeking to increase cost recovery for some projects, pausing low-cost recovery programs, reducing hours at public facilities, and reduce contract dollars. Major proposed changes in the GF for CSD included a reduction in operating hours and programming at the Palo Alto Art Center, reduce Staff support for Cubberley Artist Studio Program and close the Baylands Interpretive Center. The department proposed to increase fees and cost recovery levels and recognized an unused one-time allocation from the Bryant Street Garage Fund. The Bryant Street Garage Fund was proposed to be used for teen services. Due to new revenue accumulated through the Vehicle Entry Fee as Foothills Nature Preserve, Staff proposed to restore one supervising ranger position that was frozen in FY 2021. Also proposed was a reduction to CSD's administrative team, reduce Staff at the Cubberley Community Center and the Children's Theatre, and reduce market funding for the Enjoy! Catalog and the Junior Museum and Zoo (JMZ). CSD will continue to provide classes and summer camps; maintain parks, playgrounds, and open spaces; programming and opportunities for teens; summer programs with Youth Community Services; open the JMZ in October of 2021; continue partnerships with non-profit partners as well as collaborate with library Staff. Human Services Resource Allocation Process (HSRAP) Grants will be maintained at FY 2021 levels.

Gayathri Kanth, Library Services Director acknowledged that all five libraries are heavily used and ranked as a top priority by the community. The Library Department had to adapt to the COVID-19 Pandemic and implement creative ways to provide services to the community when the libraries were shut down. Mitchell Parking Library and Children's Library have been reopened with the Rinconada Library set to open on May 20, 2021. In FY 2021, the department had to cut \$1.6 million which was achieved by a 30 percent reduction in Staffing and a 20 percent reduction of the Collection's Budget. Library hours were reduced to 6-days of service at the Michell Park and Rinconada Library and 3-days for Children's Library, College Terrace Library, and Downtown Library. To balance the FY 2022 Proposed Budget, the department proposed to open two full-service libraries 6-days per week. That resulted in eliminating service hours at the three neighborhood branches by consolidating Staffing resources. To mitigate the proposed changes for the neighborhood libraries, 75 percent of the Children's Library collection will be moved to Rinconada Library and utilize the holds machines and on-demand vending machines at Downtown Library and College Terrace Library. The Library Department will continue to provide technology and support folks seeking education and professional development as well as maintain the virtual library.

Ms. Paras reported that CSD's and the Library Department's service area totaled \$37.7 million which was a 9.4 percent decreased compared to

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FY 2021 pre-pandemic budget. In terms of staffing, the FY 2022 Proposed GF FTE equated to 143.3 FTE which is a decrease of 23 percent compared to FY 2021 Adopted Budget.

Jonathan Erman requested that the Finance Committee (Committee) use the City's reserves and federal relief money to restore the Children's Theatre and related programs.

Jeremy Erman was disappointed that the discussion is scheduled when children and their families cannot attend the meeting. He did not support transferring 75 percent of the Children's Library collection to Rinconada Library. He emphasized that closing the Children's Library will be devastating. He remarked that cutting the Children's Theatre costume budget will disable the theatre and greatly impact performances. He encouraged the Committee to use the City's reserves to fund the programs in CSD and the Library Department.

Lisa Van Dusen spoke as an individual and emphasized that the City needs to respond now in order to avoid greater long-term risks. She noted that folks move to the City because of the City-funded resources. She concluded that it takes many, many years for a program to come back after deep funding cuts have been made.

Lauren Angelo, Co-President of the Friends of the JMZ, disclosed that the community strongly opposes a \$18 ticket price for the JMZ. Friends of the JMZ supported a \$10 ticket price and not more than that. She stated that the City's revenue model is flawed and will jeopardize the financial sustainability of the JMZ if adopted.

Angela Evans spoke on behalf of herself and stated that the Palo Alto Art Center is a hidden gem in the City. She requested that the Committee not support cuts to the Palo Alto Art Center. She indicated that the Cultural Kaleidoscope Program at the Palo Alto Art Center should take priority as it serves as an inclusive and equitable program to all students within the City.

Mary Gloner, CEO of Project Safety Net, appreciated the leadership that Ms. O'Kane and Ms. Kanth have provided. She emphasized that out of all the City's departments, CSD and the Library Department make the most impact on lives within the community. She expressed gratitude and supported Vice Mayor Burt's recommendation at the May 4, 2021 meeting to explore enterprises and social entrepreneurship opportunities.

Bob Miyahara represented Youth Community Service (YCS). He read a statement made by a student who commented how YCS has helped and

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changed her life. He requested that the Committee rethink how to allocate resources.

Mora Oomen, Executive Director of YCS, thanked the Committee and City Staff for their hard work and dedication to the City. She requested that the Committee move the \$50,000 Human Service Contract with YCS to the parking lot for restoration as well as explore revenue-based strategies to recover all proposed cuts to CSD. She emphasized that YCS teen programs support youths in critical ways including suicide prevention.

Jennifer Thuresson, a program coordinator at YCS, reported that the youth mental health programs and the Youth Connectiveness Initiative are vital programs for the youth in the community. She advised the Committee to send a strong message to the youth community by not cutting funding for those programs.

Judith Content declared that the future of Palo Alto Art Center is at stake if the Committee and Council adopt the FY 2022 Budget as proposed.

Gil Weissman was disappointed and ashamed of the proposed budget cuts to the Children's Theatre and other youth services. He expressed frustration that the community constantly has to defend the importance of art.

Carolyn Tucher remarked that the proposed budget will reduce or eliminated all programs at the Palo Alto Art Center. She mentioned that each dollar cut from the Palo Alto Art Center results in a reduction in matched foundation grants and donations from the community.

Teresa Lunt spoke on behalf of the Palo Alto Art Center and stated that in FY 2021, the Palo Alto Art Center took the largest Staff reduction in its history. The additional cuts proposed to the center will result in the loss of talented individuals who cannot be replaced.

Ashley Yee-Mazawa read a statement from a student enrolled in the Youth Connectiveness Initiative who expressed that the program provides leadership roles to students who otherwise do not have a voice in the community. She requested that funding be restored to the program.

Ben Brady acknowledged that art programs are an irreplaceable aspect for not just children but human development. He advised the Committee to not cut funding for the Children's Theatre.

Katie Christman declared that the City approves and builds facilities to house programs for the community to enjoy, but never properly Staffs them unless

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there is a charge to residents. She was frustrated that the City is proposing to cut more Staffing positions to heavily used community programs.

Kiran Gaiind acknowledged the bravery youth have shown throughout the pandemic. She encouraged the Committee to fund the programs in YCS.

Michelle Wang mentioned that not all children and youth are interested in athletics and Palo Alto Children's Theatre provides an outlet for those children and youth. She declared that now is the time to restore funding, not cut it.

Caitlin Gjerdrum emphasized that the Palo Alto Children's Theatre is an essential service and is an extension of community medical services in terms of mental health.

Evelyn Semenza was concerned about the cuts proposed to all the youth programs as well as the assumption that a jump from free to fee for entry tickets to the JMZ is a revenue loss. She urged the Committee to support a reasonable ticket price between \$6 to \$10 for the JMZ.

Hyowon Gweon expressed strong concern regarding the proposed cuts to youth programs and the \$18 ticket price at the JMZ. She agreed that a high-ticket price for the JMZ will lower the number of visitors, make the museum less diverse and exclude the most vulnerable population of the community.

Annie Carl was surprised that the Rinconada Community Garden Program may be eliminated and that the elimination of the garden has not been discussed by the Committee.

The Finance Committee took a break at 10:31 A.M. and returned at 10:38 A.M.

Council Member Filseth disclosed that his wife works for a veterinary clinic that works with the JMZ, but that level of engagement does not rise to a level of conflict of interest. He asked how many patrons use the libraries.

Ms. Kanth replied that the visitor count for Mitchell Park and Rinconada Park was 75-76 percent total. Downtown library was 9.89 percent, Children's Library was 8.87 percent and College Terrace was 5.14 percent.

Council Member Filseth inquired how much would it cost to keep the Children's Library open.

Ms. Kanth answered \$200,000 to \$250,000.

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Ed Shikada, City Manager questioned if that figure included or excluded the delivery of materials and pick up at the other two neighboring branches.

Ms. Kanth confirmed that the delivery of materials is not included in the amount. Children's Library does have more programming than the other two neighborhood branches.

Council Member Filseth asked how the automated model works.

Ms. Kanth explained that one model allows a patron to place holds in the collection and then that hold is placed in a locker where it can be picked up. There is no space available at Mitchell Park Library or Rinconada Library to house the collections from College Terrace Library and the Downtown Library.

Mr. Shikada clarified that materials will be held in the branch libraries, but the hold can come from any of the branches and then would be delivered to the other branches for pick up.

Vice Mayor Burt acknowledged that there is a petition that holds 2,000 community member's signatures in support of the programs provided by CSD and the Library Department. He declared it is the Committee and Council's duty to prevent further cuts if possible. He clarified that Children's Library is a branch library that serves the entire City, not a neighborhood library. The Children's Library was not principally about the books that are housed there, but the physical experience of the library itself. For that reason, he supported the restoration of the Children's Library hours. The College Terrace Library is the go-to community center for that neighborhood and he supported keeping that library open on a skeletal basis. He remarked that the pandemic has caused major hurdles for youth wellbeing and mental health. He explained that if the proposed cuts move forward, that essentially prolongs the pandemic impacts on youth.

Chair Cormack reported that the five libraries are places where community members, including seniors and youth, could go to escape the impacts of the pandemic. She wanted to restore all funding to all five libraries. She inquired about the community gardens.

Ms. O'Kane clarified that the community gardens are not proposed to be reduced in the FY 2022 Proposed Budget. There was a reduction of a Staff member in Tier 2 who managed that program.

Chair Cormack explained that Tier 2 Staff are optional reductions that are available to the Council should labor concession funding not be available.

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She asked how much would it cost to restore the Outreach Programs for the Children's Theatre.

Ms. O'Kane answered \$200,000.

Chair Cormack remarked that it costs \$1.9 million to run the JMZ and the cost to run the new JMZ is \$3.7 million.

Ms. O'Kane confirmed that is correct.

Chair Cormack indicated that the reason for a ticket price was because the operating expenses for the JMZ are doubling. She mentioned that Council recently approved having free passes at the libraries to the Foothills Nature Preserve. She asked if that concept can be applied to JMZ.

Ms. O'Kane answered yes and it would not require a budget amendment.

Council Member Filseth request how hard is it to restores services to the libraries if funding becomes available in the future.

Ms. Kanth reported that when the libraries reopened, visitor and check-out counts closely mirrored pre-pandemic amounts, but virtual programing and check-out have also increased. She could not predict what will happen in the next year. She added that Staffing was cut drastically for the Children's Library and the \$200,000 to \$250,000 cost can only happen if automated materials handling is installed.

Council Member Filseth inquired if the automated materials handling is a capital expense.

Ms. Kanth replied yes and it is paid for by Impact Fees.

Council Member Filseth summarized that Children's Library should open first, then College Terrace Library, and then Downtown Library. He asked how many square feet is the Downtown Library.

Chair Cormack noted that Downtown Library contains meeting spaces and program rooms that are not available at Children's Library and College Terrace.

Vice Mayor Burt estimated 6,000-square feet.

Council Member Filseth commented that if the Downtown Library is repurposed to office space, that could provide revenue to the City. He suggested housing the collection from the Downtown Library in the Roth Building.

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Molly Stump, City Attorney mentioned that the facility is a bond-funded facility and long-term research would have to be done.

Council Member Filseth remarked that Staff should do that analysis if the Downtown library has to be closed.

Vice Mayor Burt was not prepared to permanently close the Downtown Library. He asked if resources are spent on surface cleaning at the libraries.

Ms. Kanth confirmed yes, but the biggest change has been the elimination of quarantining materials.

Vice Mayor Burt advised Staff to review and possibly reallocate that expenditure. He agreed with Chair Cormack that the libraries serve as valuable community spaces and those spaces will be needed as times return to normal. He wanted to understand what happened to the Capital Improvement Plan (CIP) of converting the driving range to a double-deck driving range.

Ms. O’Kane reported that it was a tentative plan, but the side capital work that had to be done to accommodate a double-deck driving range was too expensive.

Vice Mayor Burt wanted to see an analysis of the revenue generation versus the amortized cost of that project. He emphasized that art programs are outlets for youth who are struggling and they are not recreational activities. He declared that the art programs proposed to be cut in the FY 2022 Proposed Budget are essential to the wellbeing of the youth community.

Chair Cormack inquired what the restoration figure is for CSD and the Library Department.

Kiely Nose, Administrative Services Director replied for the Library Department for FY 2022 is \$550,000 and for CSD it is \$975,000.

Chair Cormack restated she supported restoring all funding to the Library Department. She noted that twice as many people use the Downtown Library compared to College Terrace Library. She advised the Committee to explore giving additional funding to CSD and requested that Staff provide recommendations on services that can be restored that were cut in FY 2021 at the May 17, 2021 meeting. She commented that if the Committee and Council set aside funds in a reserve, the Council will be able to add back services throughout the year.

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Council Member Filseth asked if there are any programs at the Palo Alto Art Center that can be a supplier to projects funded by the Public Art Fund.

Ms. O’Kane confirmed that the two projects have collaborated in the past and they have one shared position that is used for installations of artwork. She remarked that she would have to check to see if the Public Art Fund can fund the Palo Alto Art Center in any way.

Council Member Filseth advised Staff to explore that concept further. He inquired which Palo Alto Art Center program would be the hardest to restore.

Ms. O’Kane predicted the teen programs and the volunteer programs.

Council Member Filseth agreed that all of the programs have value, but he advised the Committee to be careful in their decision-making because there is a strong temptation to not have any more cuts. He noted that there could be another catastrophe next year that will need those funds.

Vice Mayor Burt mentioned that the downtown area is an area anticipated to see population growth and so the Downtown Library attendance will increase when densification happens. He advised the Committee to think about how valuable the leverage resources are when making decisions on what cuts should move forward. He suggested that the outreach programs supplied by the Palo Alto Art Center that goes to schools should be discussed with Palo Alto Unified School District regarding collaborative funding. He emphasized that the City has the opportunity to receive low-interest borrowing for long-term capital projects. He commented that thinking that a long-term capital project must be funded out of short-term cash was the wrong approach. He predicted that the community will support potential tax measures to fund programs and services that will likely be cut due to financial impacts to the City’s revenue streams. He asked the Committee and Staff to think about what bridging mechanisms can be used to move the City through the 2nd crisis year of FY 2022 and the transitional year of FY 2023. He requested Staff place restorative dollar amounts to their corresponding proposed cut areas.

Chair Cormack said that a week ago the City would not be discussing restorations and she was grateful for the increase in American Rescue Plan Act (ARPA) funds.

Ms. Stump requested that the Committee take a short break so that Staff can unravel a potential conflict of interest with one of the Committee Members.

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The Finance Committee took a break at 11:27 A.M. and returned at 11:45 A.M.

Chair Cormack asked if the Committee should discuss the ticketing price for the JMZ or hold that discussion for Municipal Fees.

Ms. Nose stated that the Committee can discuss it at either time. She requested that the Committee not approve the allocations for the Human Services Contract until Staff has time to go through any conflict of interests.

MOTION: Chair Cormack moved, seconded by Vice Mayor Burt to:

- A. Tentatively approve the Community Services Department (CSD) and Library Department budgets with the exception of Human Services contracts;
- B. Restore Fiscal Year 2022 Library cuts (\$550,000) to the parking lot;
- C. Restore to the parking lot:
 - i. CSD cuts from the below list:

Art Center Operating Hours/Program/fees	(\$226,817)
Eliminate CSD Administrative Support Staffing and Enjoy! Catalog Production	(\$172,200)
Sports and Recreation Reductions, Fees, and Staffing	(\$117,202)
Junior Museum and Zoo (JMZ) Marketing Reduction	(\$100,000)
Cubberley Theater Administrative Staffing Reduction	(\$94,123)
Children’s Theater Operations and Production Staffing Reduction	(\$68,224)
Eliminate Baylands Interpretive Center Public Hours	(\$15,321)
Eliminate Cubberley Artist Studio Administration Staffing	(\$12,173)

- ii. Addition of \$125,000 to the CSD budget to be allocated at the Director’s discretion;
- iii. CSD Director to provide a small number of free daily passes to the JMZ at the Library;
- iv. Include Children’s Theater outreach programs in discussion with the school district; and

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D. Establish a Council uncertainty reserve of \$500,000 to the parking lot.

Chair Cormack restated that CSD and the Library Department provide wonderful services and programs to the community. If Council adopts the Motion, she noted that she will have to contemplate having a lower reserve level. She acknowledged that the \$500,000 for a Council Uncertainty Reserve could be used to restore further programs in CSD after Staff identifies what programs need it most.

Vice Mayor Burt observed that the Motion is a starting point of returning services. He restated that the cuts made in FY 2021 have not been visible to the community until now and those cuts are not being restored in the FY 2022 Proposed Budget. He requested an additional examination of the budget not only reacting to additional cuts that are being proposed for FY 2022, but what cuts from FY 2021 also need to be considered for restoration. He summarized that the City has several sources of funding that can be used to restore cuts. Including ARPA funds, an adjustment to the Budget stabilization Reserve (BSR), utilizing the Stanford University Medical Center Fund (SUMC), and funding long-term CIP projects through long-term financing.

Council Member Filseth asked if the Committee is going to do prioritization of proposed cuts department by department or prioritize the parking lot list when all potential restorative items are incorporated. He suggested that the JMZ marketing budget should be used for lower ticket prices at the JMZ and the City should facilitate further discussions with the Friends of the JMZ on marketing schemes. He mentioned that the Enjoy! Catalog and the administrative support Staff for CSD are lower on his personal restoration list than the other items.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change the amounts restored to the parking lot to the below list:

Art Center Operating Hours/Program/Fees	(\$208,025)
Eliminate CSD Administrative Support Staffing	(\$152,200)
Sports and Recreation Reductions, Fees, and Staffing	(\$38,202)
Junior Museum and Zoo (JMZ) Marketing Reduction	(\$50,000)
Cubberley Theater Administrative Staffing Reduction	(\$94,123)

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Children's Theater Operations and Production Staffing Reduction	(\$68,224)
Eliminate Baylands Interpretive Center Public Hours	(\$15,321)
Eliminate Cubberley Artist Studio Administration Staffing	(\$12,173)

Chair Cormack asked Ms. O'Kane to clarify the JMZ Marketing amount.

Ms. O'Kane clarified that the original marketing budget for the JMZ was \$200,000 and the proposed reduction cut that budget by 50 percent. The \$100,000 was to be used to hire a professional marketing consultant.

Chair Cormack inquired if the Enjoy! Catalog and administrative support Staff budgets could be separated from each other.

Ms. O'Kane confirmed they could be separated. Productions of the Enjoy! Catalog was reduced to \$20,000 in FY 2021. That budget allowed for physical catalogs to be placed at public facilities. She reported that she would support a reduction to administrative Staffing in order to recover front-line Staff.

Chair Cormack reported that Staff proposed a \$12 ticket price for the JMZ.

Vice Mayor Burt noted that the \$12 did not reflect variability in demand based upon pricing. He was confused as to why a variability in demand analysis was not done.

Chair Cormack answered that analysis was not done because there is not enough administrative help in CSD.

Vice Mayor Burt stated that it should be noted that way in the Staff report.

Chair Cormack disclosed that Ms. Nose did specify that fact in a prior discussion. She accepted the amendment to remove the Enjoy! Catalog from the Motion but keep the administrative support Staff. She supported having a lower ticket price for the JMZ.

Vice Mayor Burt asked if the \$20,000 budget for the Enjoy! Catalog is used for traditional catalogs or the limited number of printed copies and an online version.

Ms. O'Kane confirmed for limited printed copies, post cards, and an online version. Those services would remain if the Committee removed the \$20,000 budget for the Enjoy! Catalog.

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Vice Mayor Burt wanted to understand the implications of the marketing budget for the JMZ.

Ms. O’Kane explained that the budget was to reach folks who live outside of Palo Alto who may be interested in visiting the JMZ.

Vice Mayor Burt was concerned that the JMZ will be adding more Staffing positions instead of utilizing volunteers.

Chair Cormack noted that Council Member Filseth’s Amendment was accepted by both Vice Mayor Burt and herself.

Vice Mayor Burt requested an Amendment that Staff returns with a strong near-term strategy for volunteer support at the JMZ to mitigate the need for additional Staffing.

Chair Cormack asked when should Staff return with that information.

Vice Mayor Burt hoped Staff would have preliminary recommendations when the budget goes to Council.

Mr. Shikada inquired what type of volunteer program already exists at the JMZ.

Ms. O’Kane confirmed that the JMZ does have a volunteer program and the FY 2021 Adopted Budget did include some new Staffing positions at the JMZ. Those positions had not been filled because of the hiring freeze. She clarified that the FY 2022 Proposed Budget was not requesting additional Staff at the JMZ.

Vice Mayor Burt clarified that the Amendment adjusted the positions that were authorized in FY 2021 but have not been filled. He commented that in terms of the Palo Alto Art Center and the Children’s Theater, those volunteers are managed by the Friends groups.

Ms. O’Kane clarified that the Palo Alto Art Center does have a Staff volunteer coordinator position, but not the Children’s Theater.

Vice Mayor Burt advised Staff to discuss with the Friends of the JMZ to see if they can manage the volunteer program.

Mr. Shikada believed that Amendment fell in the category of evaluations versus budget actions.

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Ms. Nose agreed that the Amendment is a referral to Staff to do additional work. Per Council's policy, a referral for further work must go to the full Council for ultimate approval.

Vice Mayor Burt supported that approach.

Chair Cormack did not feel that the Amendment is required to be included in the Motion. She understood that Staff knows that there will be a volunteer program.

Vice Mayor Burt understood that any work on an aggressive volunteer program was deferred.

Ms. O'Kane clarified that there will be a strong volunteer program at the JMZ. The Staffing position to manage those volunteers has been approved but will be filled once the hiring freeze has been lifted. She emphasized that it takes significant Staff time to manage volunteers.

Mr. Shikada noted that once ticket pricing for the JMZ is adopted, that will provide enough contribution from the City to release the hiring freeze and CSD can then hire for the volunteer coordinator position.

Chair Cormack did not accept the Amendment.

Ms. Nose agreed that the idea of having a ticket price versus not having a ticket price will impact Staffing levels, but the price itself is not the trigger for Staffing needs. She summarized that if the Committee supports the current Staffing resources and requests that Staff focus on volunteer resources. She expressed that the current plan has a Staff person to develop that volunteer program. If the Committee wants a deeper dive into what the volunteer program will look like, Council can direct Staff to provide that information at a later time and move the budget forward.

Council Member Filseth predicted that the Committee will explore reducing the BSR below the 18.5 percent target level. He asked what is the difference of funding the Council Uncertainty Reserve with BSR funding.

Chair Cormack explained it will release \$500,000 to be spent potentially later in the year.

Council Member Filseth summarized that the Committee has eliminated the JMZ Staffing level aspect from the equation when thinking about the reduction in a ticket price from \$18 to \$10. That reduction equated to \$900,000 which is independent of the Staff level. He commented that the

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zoo component of the JMZ could not be managed by volunteers and so that expense could not be mitigated by volunteers.

Ms. Paras asked if the Committee was not recommending a 10 percent fee increase for the Art Center operating hours and program fees.

Chair Cormack asked Staff to clarify the fees. She understood that the increase in the fees was to bring the fees closer to market rates.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change Motion, Part C.ii. and Part D to include the phrase "one-time".

Ms. O’Kane agreed that the fee increases are to bring them up to market rates.

Chair Cormack acknowledged that the 10 percent increase to fees is included in the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, Part C.ii. "allocated at Staff discretion".

MOTION AS AMENDED: Chair Cormack moved, seconded by Vice Mayor Burt to:

- A. Tentatively approve the Community Services Department (CSD) and Library Department budgets with the exception of Human Services contracts;
- B. Restore Fiscal Year 2022 Library cuts (\$550,000) to the parking lot;
- C. Restoration to the parking lot of:
 - i. CSD cuts from the below list:

Art Center Operating Hours/Program/Fees	(\$208,025)
Eliminate CSD Administrative Support Staffing	(\$152,200)
Sports and Recreation Reductions, Fees, and Staffing	(\$38,202)
Junior Museum and Zoo (JMZ) Marketing Reduction	(\$50,000)
Cubberley Theater Administrative Staffing Reduction	(\$94,123)

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Children’s Theater Operations and Production Staffing Reduction	(\$68,224)
Eliminate Baylands Interpretive Center Public Hours	(\$15,321)
Eliminate Cubberley Artist Studio Administration Staffing	(\$12,173)

- ii. Addition of a one-time \$125,000 to the CSD budget to be allocated at Staff discretion;
 - iii. CSD Director to provide a small number of free daily passes to the JMZ at the Library;
 - iv. Include Children’s Theater outreach programs in discussion with the school district; and
- D. Establish a one-time Council Uncertainty Reserve of \$500,000 to the parking lot.

MOTION AS AMENDED PASSED: 2-1 Filseth no

- 3. Planning and Transportation
 - a. Planning and Development Services
 - b. Office of Transportation
 - c. Special Revenue Funds

Christine Paras, Administrative Services Assistant Director summarized that the Planning and Development Services Department funds. Across all funds, the total revenue were \$18.6 million, expenses are \$17.8 million, and full-time equivalent (FTE) positions are 55.84. For the Office of Transportation, across all funds the revenue was \$4.5 million, expenditures were \$6.7 million and FTE positions were 14.78.

Jonathan Lait, Planning and Development Services Director commented that due to the pandemic, an online permit system was implemented quickly to allow permits to continue to be issued. The system was implemented so quickly that Staff endured a stiff learning curve, but the department was able to overcome those hurdles. The department proposed to cut one planner position and reduce travel and training. The proposed budget did request that a senior planning position be unfrozen to help with data analysis and the records team. The cost of unfreezing and hiring for that position was proposed to be offset by the elimination of an administrative

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position and supported by Development Services Fees. The department requested to make a limited-term inspector position a full-time position as well as requested funding for fire and building plan check services. Those costs were to be offset by a one-time use of Palo Alto's (City) reserve for prior works in progress as well as an adjustment to the Fee Schedule that was to align the department's resource needs with the work that is being completed. He emphasized that remote work has distanced the department from customers and that has been felt by both parties. The department will be focusing on restoring that connection by meeting customers either in person or by remote.

Philip Kamhi, Chief Transportations Official confirmed that significant cost savings measures occurred in the Fiscal Year (FY) 2021 Budget which included the elimination of the Palo Alto Shuttle, elimination of a Staff member, and implementing cost-saving efficiencies in the parking programs. Proposed for the FY 2022 Budget, the department proposed to implement further cuts for planning and consultant services and dedicate grant funding to reimburse a Safe Routes to School coordinator's salary. Also proposed was a reduction in bicycle program funding, consulting contracts, and funding of on-call engineering data services which will result in increased response times and a reduction in work output. The department proposed to eliminate their entire travel and training budget and eliminate the participation in most non-mandatory memberships and sponsorships. The Office of Transportation will continue to focus on its mission and continue to be responsible for the mobility, transportation planning, transportation engineering, and parking management but in a reduced capacity.

Ms. Paras reviewed the service area summary. In both of the departments, the FY 2022 Proposed Budget proposed a 15 percent decrease in the budget and a 16.5 percent reduction in Staff as compared to the FY 2020 Adopted pre-pandemic Budget. She disclosed that the Committee received a memorandum from the Transportation Management Authority (TMA) that described a budget adjustment as well as an allocation to Palo Alto Transportation Management Association (PATMA). The adjustment was a \$350,000 allocation to PATMA and their funding request was decreased to \$240,000.

Stephen Raney articulated that PATMA was requesting feedback from the Finance Committee (Committee) regarding Item 2 listed in the memorandum that was sent to them. For Item 3 in the memorandum, PATMA requested that the City Council (Council) provide strong leadership at Caltrain's June 3rd, 2021 meeting to put PATMA first in line for the Caltrain Go-Pass Donation Program.

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Neilson Buchanan gave a brief history of how the TMA was formed. He noted that the small employer TMA is a very difficult effort and he predicted that the program will not come to light due to pandemic impact. He recommended that the entire TMA budget be placed in the parking lot and he asked who is responsible for the productivity and benefits of the City's investment in the TMA.

Brad Ehikian, Board Chair of PATMA, noted that the City is missing out on a major revenue source in the California Avenue Parking Assessment District. The district has been one of PATMA's funding sources, but California Avenue properties can no longer freely switch between retail uses without having to have parking. He encouraged Staff to reassess the California Avenue Parking Assessment District and reinstate it.

Jonathan Erman requested that the Committee reinstate the across-town shuttle.

Mila Zelkha, CEO of Manzanita Works, reported that Manzanita Works manages a sub-regional TMA that spans from the City of Sunnyvale to Redwood City. During the winter of 2021, the essential worker commute shuttle pilot provided free, long-haul transit for frontline workers with a stop in Palo Alto. The organization submitted a proposal to the City that can provide transportation demand management outreach to Palo Alto workers that leverages private dollars on an economy of scale that can save the City funds.

Penny Ellson requested what will be impacted by the \$46,000 reduction in the Office of Transportation's budget proposal.

Council Member Filseth wanted to understand better the proposed Staffing request to unfreeze an inspector position.

Mr. Lait explained that the position would be changed to a full-time position and include fire and building plan review.

Council Member Filseth asked how that position will be funded in FY 2023.

Mr. Lait mentioned that the department is doing a fee study and those ongoing operating costs will be included in the fee study.

Vice Mayor Burt recalled that the creation of the PATMA was to address the problem of parking in the adjacent residential neighbors to downtown. He inquired if the current TMA Board had representation from residents who live in adjacent neighborhoods.

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Mr. Kamhi mentioned that the TMA Board is exploring having a resident on its board.

Vice Mayor Burt predicted Council will want to direct the TMA Board to include a resident. He mentioned that the City invested \$6 million into the California Avenue Parking Assessment District in prior years and then \$60 million for California Avenue Garage. The additional parking that was installed downtown was paid for by the Downtown Parking Assessment District. He asked if there is a reason why the City has not reenacted the California Avenue Parking Assessment District.

Mr. Kamhi mentioned that the bonds were paid off. Staff is exploring options for providing opportunities to reinstate the assessment district and that will be brought to Council in the near future.

Vice Mayor Burt articulated that the success of the PATMA was that it provided transit passes for low-income workers and small businesses. He requested how active is PATMA now.

Mr. Kamhi reported that demand is down due to the pandemic but essential workers are still using the passes.

Mr. Raney reported that PATMA was currently removing 100 cars from the roads daily. Pre-pandemic, PATMA was removing 400 cars daily.

Vice Mayor Burt asked how were cars removed measured.

Mr. Raney referenced the FY 2018 Annual Report that was provided to the City by PATMA that outlined how cars removed were measured. PATMA uses assumptions for the number of trips per week that is provided by Caltrain.

Vice Mayor Burt inquired if it was based upon an assumption of if there's a pass, there's a certain utilization rate.

Mr. Raney concurred.

Vice Mayor Burt wanted to understand if PATMA has the same utilization rate when there is grid lock and no places to park versus when there is no traffic and many places to park.

Mr. Kamhi noted that the PATMA provides other programs besides the transit passes. They also provided a Ways Program, a Lift Program and will be starting a bicycle program soon.

Vice Mayor Burt asked if utilization data is available for the Ways and Lift Program.

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Mr. Kamhi replied yes.

Chair Cormack inquired if the Staffing reduction proposal for the Planning and Development Services Department was for Staff that does architectural review and individual review.

Mr. Lait answered yes.

Chair Cormack predicted those reviews would now take longer but everything else would continue at the current pace.

Mr. Lait explained that with the reduction in the consulting budget and now the elimination of another Staff member, there will be further delays in the application processing time in the current planning area.

Chair Cormack asked how should the Committee think about the Manzanita Work's proposal and PATMA.

Mr. Kamhi was not sure how to compare the two TMAs without more information.

MOTION: Council Member Filseth moved, seconded by Chair Cormack to recommend tentative approval of the Planning and Transportation and Special Revenue Fund budget with the following to be moved to the parking lot: TMA funding (\$350,000) and the restoration of one Planning Staff (\$138,000).

Council Member Filseth disclosed that if there has to be prioritization, he'd rather provide more funding to the Palo Alto Art Center, Junior Museum and Zoo (JMZ), or Children's Theater than provide funding for the TMA. He stated that the TMA needs to continue towards a model that allows the TMA to be funded by other sources other than the City.

Chair Cormack appreciated that both departments will be enduring cuts that were not placed in the parking lot. She requested that Staff remind the Committee and Council of those cuts when there are discussions about restoring services.

Vice Mayor Burt asked what the dollar amount is on restoring the Safe Routes to School Staffing position proposed to be cut.

Ms. Nose understood that there is not a reduction in Staffing for the Safe Routes to School Program.

Mr. Kamhi explained that the department is leveraging grant funds to pay for one of the Safe Routes to School positions rather than cut the position.

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Vice Mayor Burt acknowledged that he misunderstood.

MOTION PASSED: 3-0

The Finance Committee took a break at 1:24 P.M. and returned at 2:00 P.M.

4. Fiscal Year 2022 Budget Hearing Continuation.

Christine Paras, Administrative Services Assistant Director summarized that the Finance Committee (Committee) has made no changes to the City Council (Council) Contingency Reserve. However, a number of items were included in the parking lot for the Community Services Department (CSD), Library Department, Transportation Management Association (TMA), and restoring Staff in Planning and Development Services. The parking lot list totaled \$4,972,732. She presented the Tax Revenue Update table that was provided to Council during the mid-year financial status report on March 1, 2021. Staff predicted an increase to Property Taxes for Fiscal Year (FY) 2021 of \$1 million to \$1.5 million, an increase to Transient Occupancy Tax (TOT) of \$0.5 million to \$0.8 million, and an increase to Documentary Transfer Tax (DTT) of \$2.4 million to \$3 million.

Vice Mayor Burt asked if Staff does any high-level tracking on each sector, commercial or residential, that helps Staff estimate DTT going forward.

Kiely Nose, Administrative Services Director/Interim Assistant City Manager mentioned that Staff does track the new articles that announce commercial sales. She predicted that Staff does not track the revenue stream at the more granule level of residential versus commercial. She noted that DTT is one of the hardest revenues to forecast.

Vice Mayor Burt predicted that Staff may be able to use the information provided by Colliers International Real Estate Company and other residential real estate brokerages. He encouraged Staff to reach out to those agencies to see if their information can supplement Staff's information.

Council Member Filseth noticed that the revenue for DTT looked like a normal year and FY 2021 was the outlier year.

Ms. Nose explained that FY 2021, DTT was between \$8 million and \$10 million and that was a high amount.

NO ACTION TAKEN

5. FY 2022 Proposed Municipal Fees and Charges.

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Christine Paras, Administrative Services Assistant Director mentioned that the At Place memorandum that was released in the morning to the Finance Committee (Committee) described the clarification of changes made to Municipal Fees as well as descriptions of amendments to the fees for the Foothills Nature Preserve. Those amendments were approved by City Council (Council) on February 1, 2021.

Alexandra Harris, Senior Management Analyst explained that Municipal Fees are imposed on individuals or businesses for services that the City provides. The price of the fee is determined by the cost of providing the service plus any overhead costs. The User Fee Cost Recovery Policy included low at 0 percent to 30 percent, medium at 30.1 percent to 70 percent, and high at 70.1 percent to 100 percent. The Council adopted the cost recover levels in 2015 and further clarified them in 2020 to include fees that the City charges, but are not restricted to full cost recovery level. The majority of the fees are adjusted annually at a 2 percent rate increase. For the Fiscal Year (FY) 2022 Proposed Municipal Fee Schedule, there were 21 new fees, 28 fees were deleted and 37 fees were changed.

Neilson Buchanan mentioned that bringing the California Avenue Residential Preferential Parking (RPP) and commercial core up to the same level as University Avenue is leaving money on the table. He was concerned that the pandemic has created leniency about charging and enforcing permit fees in the neighborhoods and commercial cores. He felt that Council should verify when the permit parking revenue will start flowing.

Chris Robell suggested that the City enforce and fine bad behavior such as idling. He encouraged the Committee to increase the fine for citations in RPP zones.

Vice Mayor Burt asked what is the revenue for the golf course compared to its operational cost and the debt service.

Kristen O’Kane, Community Services Director explained that the expenses for the golf course included the debt service for a \$10 million bond over 30 years. The revenue for FY 2022 is expected to surpass the projections by quite a bit.

Vice Mayor Burt wanted updated estimates for the golf course for FY 2021 projections and for FY 2022 proposed. He understood that the golf course is positive by \$900,000 for FY 2021.

Ms. O’Kane clarified that the golf course is positive by \$750,000 for FY 2021.

Vice Mayor Burt restated that the original projection was \$208,000.

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Ms. O’Kane confirmed that is correct.

Vice Mayor Burt asked for a revised estimate for FY 2022.

Ms. O’Kane answered that Staff does not have that information.

Vice Mayor Burt predicted that revenues for the golf course for FY 2022 may be significantly higher due to capacity restrictions being lifted.

Ms. O’Kane explained that folks have been limited to what they are allowed to do and so as restrictions are lifted, the revenue can potentially level out or decline.

Ed Shikada, City Manager noted that the golf course is only one of the 100s of revenues and expenses that Staff tracks. He stated that the same discussion that revenues are being projected low can apply to other revenue streams.

Vice Mayor Burt disagreed and stated that he brings up the golf course because it stands out, not because it’s an example of many.

Mr. Shikada indicated that the Committee can direct Staff to look at the golf course among the other revenue sources.

MOTION: Vice Mayor Burt moved, seconded by Council Member XX to direct Staff to provide an update on the projected Golf Course revenue for 2022 for Council consideration during Budget discussions.

MOTION FAILED DUE TO THE LACK OF A SECOND

Council Member Filseth assumed that the increased revenue for FY 2021 for the golf course was because revenue is higher than expected as opposed to expenses are lower.

Ms. Nose explained that the City has an agreement with OB Sports and there is a sharing model with them. Once certain benchmarks are reached, different compensation comes into play.

Ms. O’Kane added that the revenue is split between the City and the contractor. The contractor receives 80 percent, the City receives 20 percent until the revenue reaches a certain benchmark, and then the revenue is split evenly. The reason for that arrangement was to ensure that the contractor was driven to make revenue.

Council Member Filseth asked if there is any seasonality to the golf course.

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Ms. O’Kane replied yes.

Council Member Filseth agreed that Staff should review the revenues for the golf course at the end of Quarter Four for FY 2021 and the First Quarter of FY 2022.

Chair Cormack inquired when will Council see all items related to parking.

Philip Kamhi, Chief Transportation Official replied Staff will bring the item to Council in August of 2021 as well as provide an informational item that will disclose all the timelines for all the programs and projects.

Chair Cormack asked if the fire alarm fees are connected to reduced Staff in the Fire Department and Planning and Development Services Department.

Ms. Harris explained that the fees are used to restructure how the alarm fees are set up and are more to align with the business model.

Chair Cormack asked if the City can charge a larger fee to a corporation that wanted to use a City-owned facility after hours.

Ms. O’Kane answered that the City could charge a larger amount and Staff is exploring those possible increases with the Junior Museum and Zoo.

Chair Cormack was happy to see the reduction in fees to rent the community rooms at the Mitchell Park and Rinconada Library.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to recommend tentative approval of the FY 2022 Proposed Municipal Fees and Charges, including the at places memo provided by Staff.

MOTION PASSED: 3-0

6. Infrastructure and Environment

a. Utilities: Operating

- i. Electric Fund
- ii. Fiber Optics Fund
- iii. Gas Fund
- iv. Wastewater Collection Fund
- v. Water Fund

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Christine Paras, Administrative Services Assistant Director summarized the Fiscal Year (FY) 2022 Proposed Budget summary. The Utilities Department's total revenue across all funds was \$286 million, expenses across all funds was \$330 million and the department had 267.84 full time equivalent (FTE) Staffing position across all funds. For the Public Works Department, the total revenue across all funds was \$107 million, expenses across all funds was \$135 million and the department has 169.31 FTE positions in all funds. She announced Staff proposed that the Finance Committee (Committee) approve a \$1.6 million reduction in the Gas Fund pertaining to commodity purchases.

Dean Batchelor, Utilities Director updated the Committee that the shut off switch located in the Foothills is an automatic switch, not a manual switch as he had mentioned previously. If there are winds past 25 miles per hour, electricity to that line is shut down by the system operator. In terms of the operating budget, he began with the Electric Fund. The Electric Fund has achieved a zero percent rate increase for the second year in a row. To achieve this, reserves will be drawn down to minimal guidelines. The electrical load has decreased by 10 percent compared to historical trends. Staff proposed to reallocate 2.24 FTEs from various funds to the Electric Fund to support electrification, the Sustainability Climate Action Plan (S/CAP), and advanced metering infrastructure. For FY 2023 and FY 2024, there will be a rate increase of 5 percent to fund reserves. Staff was estimating a 15 percent load loss from the commodity coming from hydroelectrical. For the Fiber Fund, there was a rate increase of 2 percent for Electric Dark Fiber (EDF)-1 rate customers. Fiber Fund reserves may be drawn down if the fiber expansion is approved. The department wants to accelerate and complete the community education and engagement for fiber to the home (FTTH) in FY 2022. For the Gas Fund, the Utilities Advisory Commission (UAC) and the Committee recommended a 3 percent rate increase. Gas sales were 6 percent lower compared to historical trends. Staff would be seeking a 5 percent rate increase in FY 2023 and FY 2024 as well as proposing an increase in supply cost by \$2.5 million. Staff proposed to resume the Crossbore Safety Inspection Program at an expense of \$1.8 million. In terms of the Wastewater Collection Fund, the UAC and the Committee recommended a 3 percent increase for FY 2022 with a 5 percent increase to rates for FY 2023 and FY 2024. Staff projected a \$9 million loss in FY 2022 for commercial and residential due to the pandemic. For the Water Fund, Staff proposed no rate changes for FY 2022 with 5 percent rate increase for FY 2023 through FY 2026. Staff predicted that San Francisco Public Utilities Commission (SFPUC) will be proposing a 7 percent rate increase for average water supply in FY 2023 through FY 2025. Staff proposed to install backup generators at the emergency wells and replace three reservoirs.

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- b. Public Works: Operating
 - i. General Fund
 - ii. Airport Fund
 - iii. Refuse Fund
 - iv. Stormwater Management Fund
 - v. Vehicle Replacement Fund
 - vi. Wastewater Treatment Fund

Brad Eggleston, Public Works Director noted that the major proposed changes in the General Fund (GF) for the FY 2022 Proposed Budget included eliminating 3.46 FTEs, shifting the cost of the public restrooms in the downtown area from the GF to the University Avenue Parking District Fund, reduce contract services and adjust revenue for Encroachment Permit Fees. He noted that though the proposed Staff reductions are not a large number, it will cause delays. In terms of the Refuse Fund and Stormwater Management Fund, the FY 2022 Proposed Budget proposed a 2 percent stormwater rate increase and no rate increase for the Refuse Fund. In the Vehicle Replacement Fund, one Staffing position was proposed to be eliminated as well as reduce the contract services for fuel. In the Airport Fund, Staff proposed to add a part-time hourly position that will support operations and increase contract services for hangar door maintenance. The proposed budget cuts were not expected to impact services. In terms of the GF FY 2022 Proposed Budget compared to the GF FY 2021 Adopted Budget, pre-pandemic, there was a 13.5 percent decrease in funding and a 4.6 percent decrease in FTE. For Enterprise Funds, there was a 5.4 percent increase to the budget for FY 2022 compared to FY 2021 Adopted Budget and decrease of 0.4 percent of FTEs.

Council Member Filseth asked in terms of the decrease in demand for the electric and gas utility, if that was because there was less demand from commercial customers but higher demand from residential customers.

Mr. Batchelor agreed that is correct.

Vice Mayor Burt was concerned the rate increase was too low for the electric utility. He mentioned that Santa Clara Valley Water announced a 9.1 percent rate increase. He asked if Pacific Gas and Electric (PG&E) proposed to raise their rates.

Mr. Batchelor proclaimed that he did not know.

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David Yuan, Utilities Strategic Business Manager commented that Staff will need a couple of minutes to find the answer.

Vice Mayor Burt supported having the downtown portable restrooms paid for by the University Parking Permit Fund. He inquired if there is adequate Staffing to manage the proposed Capital Improvement Projects (CIP).

Mr. Eggleston noted there were no proposed Staffing reductions in that area. He concluded that he was comfortable with the reduction proposed in the FY 2022 Proposed Budget.

Mr. Batchelor disclosed that PG&E proposed a rate increase of 4 percent.

Chair Cormack agreed that having the downtown restrooms paid for by the University Parking Permit Fund was a smart approach. She requested Staff explain the different fiber rates.

Mr. Yuan explained the EDF-1 rate was a promotional rate that was offered when fiber first began, but that rate was eliminated in 2006. There are only five customers remaining on that rate and the rate has an annual Consumer Price Index (CPI) increase to bring those customers up to the current EDF-3 rates.

Chair Cormack supported the move of providing funding in the Electric Fund for the S/CAP. She was open to hearing more on Vice Mayor Burt's reasoning to increase the electrical rate but wanted to hear more information from Staff.

Mr. Batchelor noted that the rates will be provided to Council at the June 21, 2021 meeting for adoption.

Chair Cormack advised having that be one area that Council should consider and discuss. She mentioned that there are funds within the Stanford University Medical Center (SUMC) Fund that pertain to climate and she asked if the Committee should consider using those funds for the S/CAP.

Mr. Eggleston inquired which fund is she referring to.

Chair Cormack answered Climate Change and Sustainable Communities which had \$.53 million in unallocated funds in it.

Mr. Eggleston commented that there is work that needs to be done to develop the plan that will help inform Staff on how to spend the funding. One constraint is that most of the resources are located in Enterprise Funds and some areas do not allow Enterprise Funded employees to spend time on the S/CAP.

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Chair Cormack reminded Staff that the fund is a one-time fund, but suggested Staff explore it.

Council Member Filseth asked what was funding the downtown restrooms.

Mr. Eggleston replied to the GF Public Works Facilities budget.

Council Member Filseth inquired if that reduction of that expense is reflected in the FY 2022 Proposed Budget for the Public Works Department.

Mr. Eggleston confirmed that it is reflected in the budget.

Council Member Filseth wanted to know if the City could save funding on the Transportation Management Association (TMA), which was funded by the University Parking Permit Fund, and if that was already accounted for in the GF.

Ms. Nose answered yes.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to recommend tentative approval of Infrastructure and Environment, Utilities, and Public Works Operating Funds with the addition that the commodity purchase number for gas should be reduced by \$1.6 million.

Chair Cormack thanked Staff for their work.

MOTION PASSED 3-0

7. Citywide Internal Support and Administration
 - a. Information Technology
 - b. Administrative Services (Including Printing and Mailing Fund)
 - c. Human Resources
 - d. City Attorney's Office
 - e. City Auditor's Office
 - f. City Clerk's Office
 - g. City Manager's Office
 - h. City Council
 - i. Non-Departmental Funds

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- i. General Benefits Funds
- ii. Workers Compensation Fund
- iii. General Liabilities Insurance Program
- iv. Retiree Health Benefit Fund
- v. Debt Service Fund

Kiely Nose, Administrative Services Director shared that the department maintains the internal operations for Palo Alto (City). The proposed reduction for the Fiscal Year (FY) 2022 Proposed Budget was the department's way of mitigating risk while sliming down its budget. The reductions proposed included a reduction in administrative programming and vehicle maintenance cost, procurement Staff realignment, and reductions in Staff for revenue collection.

Rumi Portillo, Human Resources Director shared that the Human Resources (HR) Department is one of the smaller departments in the City. Due to the pandemic, the workload did increase dramatically for the department. Staff has been focused on workplace and community health and safety. She mentioned that the department also manages 10 insurance policies on behalf of the City. The major proposed change in the General Fund (GF) for HR was a reduction in Staff resources that equated to \$230,000.

Darren Numoto, Interim Information Technology Department Director mentioned that the department supports the five libraries, all community services, full public safety, and the full suite of utilities. For the FY 2022 Proposed Budget, the department proposed a reduction in technology project management and enterprise Staffing. With the consolidation of the cyber security team and a reduction of a security manager position, the department will be restoring a chief information officer. The department will continue to implement the new Enterprise Resource Planning (ERP) system, the new Geographic Information System (GIS), update the Council Chambers, and update the Cybersecurity Strategic Plan.

Molly Stump, City Attorney informed the Finance Committee (Committee) that the City Attorney's Office supports the City Council (Council) and all of the departments in the City. She noted that the department has several high-level Staff vacancies. The department proposed for the FY 2022 Proposed Budget to realigning one of those positions to a lower level of seniority. She predicted that the position will remain vacant and the funding will be used for unforeseen costs for litigation and disputes.

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Kyle O'Rourke, City Auditor summarized the work that the City Auditor's Office does. The department proposed for the FY 2022 Proposed Budget to reduce the City Auditor Services Contract by \$75,000 which will be accomplished by eliminating travel, reassess tasks, and other items.

Beth Minor, City Clerk reported that the City Clerk's Office's balancing strategy is to eliminate the funding for the transcription service which equated to \$63,000 out of the GF. The City would continue to use action minutes and video records to provide transparency to the community. The department will continue to provide support for Council, Staff, and the community. The department will also focus on the transition back to City Hall and the November 2022 Election.

Christine Paras, Administrative Services Department mentioned that for the City Council Office, the office will maintain the current service level with minimal impacts to overall City finances. There were no major proposed changes to the GF.

Council Member Filseth shared that the contractor budget for the City Council Office was \$100,000 and currently \$60,000 has been spent. Also, there is no Council Contingency Fund.

Char Cormack asked what the contractor budget is used for.

Ms. Minor answered for the Council Appointed Officer (CAO) evaluators and the Independent Police Auditor (IPA).

Ms. Paras mentioned that the IPA contract for the FY 2020 Adopted Budget was \$15,000 and the CAO evaluator's budget was \$35,000.

Ms. Nose noted that the reduction of \$125,000 in the Council Contingency Fund was a one-time proposal for FY 2021 and so those funds are available for Council to use in FY 2022.

Vice Mayor Burt asked if City Clerk recruitment expenditures are included in the already spend \$60,000 in the City Council's budget.

Ms. Minor believed that the City Clerk recruitment expenditure is coming out of the City Clerk's budget. The IPA expense comes out of the Council's budget as well as the CAO evaluations.

Vice Mayor Burt thought all recruitment costs came out of the HR Department's budget.

Ms. Nose explained that how the City normally funds executive recruitments was with vacancy savings in the department that needs the vacancy filled.

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Council Member Filseth suggested that the Council Contingency Fund should be spent to reduce the ticket price for the Junior Museum and Zoo (JMZ).

Mr. Shikada reflected that the City Manager's Office provides strategic leadership and guidance for all departments in the City. Major proposed changes in the GF for the FY 2022 Proposed Budget included a reduction in communication and programming Staffing as well as splitting resources between the state and federal lobbyist and reduce the Citizen's Survey.

Ms. Paras reported that Non-Departmental Funds included funds that are not associated with a specific department. Major proposed changes in the GF for the FY 2022 Proposed Budget included the Utility Transfer Litigation of \$8.4 million, the remaining American Recovery Plan Act (ARPA) funding, \$0.8 million for the Strategic Investments Reserve, transition costs for the FY 2021 and 2022 Budget implementation of \$0.8 million and labor concessions. In total for all the Internal Department's budgets listed in the service area, the total GF FY 2022 Proposed Budget equated to \$22.4 million which was a 4.4 percent decrease compared to FY 2021 Adopted Budget. In terms of Staff levels, there was a 12.4 decrease for the FY 2022 Proposed Budget.

Chris Robell did not support the proposal to eliminate the transcription service. He acknowledged that utilizing YouTube and Zoom has greatly increased public engagement and he encouraged the City not to eliminate those services.

Christian Pease seconded Mr. Robell's comment about not eliminating the transcript service. He requested that verbatim minutes be transcribed for City Council meetings.

Council Member Filseth asked how many communication Staff are there within the City Manager's Office.

Meghan Horrigan Taylor, Chief Information Official answered there are two filled communication Staff and one vacant position.

Council Member Filseth inquired if those Staff cover the entire City.

Ms. Horrigan Taylor replied that Staff supports and provides advice to the Utilities and Police Department but those two departments have their own Staff as well.

Mr. Shikada clarified that the Police Department does not have a designated communication Staff member. In the Utilities Department, two Staff members handle communications.

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Vice Mayor Burt requested more information on the proposal to reduce funding to the federal and state lobbyist.

Mr. Shikada explained it is an expense reduction and Staff will be conducting a new Request for Proposals (RPF) for those services.

Vice Mayor Burt inquired what is currently spent on federal and state lobbyists.

Ms. Nose noted that the reduction in funding will impact the scope of services that a contractor is able to provide through the RPF process. Staff does not know the impacts that will be caused by the reduced funding until the RPF process is complete.

Mr. Shikada confirmed that the City has one state lobbyist and one federal lobbyist.

Vice Mayor Burt was not sure that combining the state and federal lobbyists together will provide an advantage to the City. He commented that he did not support eliminating the transcription service, but was open to understanding technology innovations and cost reductions.

Ms. Minor noted that Staff has explored several programs that provide automated transcription, but they do not capture everything. For that reason, Staff or a contractor would have to go back and fill in the missing pieces.

Vice Mayor Burt restated he was interested in a hybrid option of an automated service with manual editing of the transcription.

Chantal Cotton Gaines, Deputy City Manager noted that the federal lobbyist contract is \$85,000 a year and would be cut to \$45,000 and for the state lobbyist contract, that contract is \$105,000 a year and was proposed to remain at that figure. The City is interested in seeing what firms are available to provide both federal and state lobbyist services.

Vice Mayor Burt agreed that there is a lot of federal activity and so he was hesitant to cut that budget. He shared that it has been expressed to him by the federal lobbyist several years ago that the City underutilizes their services.

Ms. Cotton Gains confirmed that the City does have the ability to request more work from the lobbyist if it will benefit the City.

Chair Cormack acknowledged that the Information Technology (IT) Department is taking a large reduction. She agreed that Credit Card Fees

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should be passed to the corresponding departments that use them. She expressed appreciation to HR Staff for the amount of work that they have accomplished in FY 2021 as well as the City Attorney's Office. She appreciated the City Auditor participating in the City's budget-balancing strategy. In terms of a hybrid option for transcription, she understood that it would take the same amount of time to have a hybrid option as it would contract the workout.

Ms. Minor noted that the current transcriptionist is less expensive than going through an artificial intelligence (AI) company. Staff would still have to review the minutes and fill in the missing pieces with an AI company.

Chair Cormack inquired what would be lost if the proposed cut is adopted.

Ms. Minor explained that Staff would no longer send out the City Council, Finance Committee, and Policy and Services Committee minutes to the transcriptionist. Those groups would not have transcribed minutes. The Public Art Commission is the only Commission that does their minutes in-house while the other departments use the transcription service.

Chair Cormack asked if adopted, who would do the draft action minutes for FY 2022 and what will they look like.

Ms. Minor confirmed that Staff does the draft action minutes. The final summary minutes are the minutes that take 2-4 weeks to type up and then 2-4 weeks to have those minutes posted online.

Chair Cormack understood that adopting the transcription reduction proposal, that will free up Staff time and less Staff will be needed to monitor the meetings.

Ms. Minor answered yes.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to recommend tentative approval of the Citywide Internal Support and Administration Funds; and to place the Council Contingency Fund, Minutes Transcription Services, and the lobbying contract (\$40,000) in the parking lot.

Council Member Filseth requested that the Council Contingency Fund and the minute transcription service be placed in the parking lot.

Chair Cormack agreed.

Ms. Horrigan Taylor shared that Staff did look into using YouTube as an alternative for transcription. Staff discovered that the service is very

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unreliable in terms of the turnaround timeframe of their processing and creating the captions. Also, the transcript is not accurate at times and will require Staff to review the transcript for accuracy.

Council Member Filseth asked what would happen if the Committee postponed the recommendation for the third communication person for a year or two.

Ms. Nose foresaw a direct impact in communications.

Mr. Shikada added communication is related to the City's recovery and overall community engagement.

Vice Mayor Burt inquired how long has the City had three Staff members for communication.

Mr. Shikada shared for as long as he's worked for the City. He clarified that one position is an administrative assistant and not communication specific.

Vice Mayor Burt supported having Staff do an RPF for state and federal lobbyists, but he was concerned with it being listed in the budget. He believed that having it in the budget will limit the cost and the City will have a reduced service.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to include the \$45,000 in the budget for the current lobbying budget.

Chair Cormack accepted that amendment.

Council Member Filseth agreed.

MOTION AS AMENDED PASSED: 3-0

Vice Mayor Burt clarified that after exploration and discussion, he did not have a legal conflict regarding the Human Services Budget. He disclosed that his wife serves on the Youth Community Service (YCS) Board in a non-paid role.

2. Community and Library Services (CONTINUED)
 - a. Community Services
 - b. Library Services

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Chair Cormack mentioned that several Council Members have expressed interest in increasing the Human Services Resource Allocation Process (HSRAP) allocations.

Ms. Nose noted that the Committee could discuss that now or have it placed in the parking lot for the end of the meeting.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to recommend tentative approval of the budget for Human Services contracts; and to place in the parking lot \$50,000 for an increase to the Human Services Resource Allocation Process (HSRAP).

Vice Mayor Burt remarked that the community's needs in human services far exceeded the HSRAP funds. He noted that many Cities are adding additional responsibilities to social service needs as a result of the pandemic. He was interested in doubling the HSRAP funding for the next 2-years.

Chair Cormack summarized that is \$1.1 million.

Vice Mayor Burt clarified it would be over 2-years so \$550,000 per year.

Chair Cormack did not accept that Amendment.

AMENDMENT: Vice Mayor Burt moved, second by Council Member XX to place in the parking lot the doubling of funding for HSRAP funds over the next two years.

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Chair Cormack appreciated all the departments making cuts to their budgets. She supported there being a 10 percent increase to HSRAP and allowing the Human Resources Committee to use their Emerging Needs Fund.

Council Member Filseth indicated that the Committee is heading down a path of sending to City Council a budget that is \$5 or \$6 million higher than Staff's proposal.

MOTION PASSED: 2-1 Burt no

The Finance Committee took a break at 4:25 P.M. and returned at 4:40 P.M.

8. May 3, 4, 11, and 12 Budget Hearing Summary Discussion.

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Chair Cormack recommended that the Finance Committee (Committee) start with the Budget Stabilization Reserve (BSR) and determine what level they are comfortable with for Fiscal Year (FY) 2022.

Council Member Filseth wanted to prioritize the parking lot list if the Committee cannot come to a consensus.

Kiely Nose, Administrative Services Director summarized that the funding available to the Committee for allocation was \$3,192,580 and there is the Council Contingency Fund of \$125,000. The total of all the items within the parking lot was \$5,000,732. One additional source of funding was the distribution of the American Rescue Plan Act (ARPA) Funds and the BSR.

Chair Cormack suggested that the Committee begin with the ARPA allocation.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to recognize 50 percent of the ARPA Allocation and move to the Budget (\$600,000).

Council Member Filseth acknowledged that the City has a short-term hold problem and a long-term steady-state problem. If the City were to fund programs with one-time funds, the City has to have a plan on how to sustain those programs in the later years. For that reason, he supported using 50 percent of the ARPA funds now and 50 percent in FY 2023.

MOTION PASSED: 3-0

Vice Mayor Burt noted it is important to be exploring the City's long-term structural circumstances, but it is more important to not attempt to resolve those in the middle of the biggest urgency the City has seen in decades. He referenced the responses from the Budget Survey that indicated the community's support for the City to use a larger portion of ARPA funds now and less in FY 2023. He restated that the community is now just becoming aware of the drastic cuts that were made in the FY 2021 Adopted Budget and those cuts have caused impacts on other areas. He concluded that the City has to catch up on meeting the needs of the community and that was the purpose of the ARPA funds. He wanted to split the ARPA funding by 60 percent for FY 2022 and 40 percent for FY 2023.

AMENDMENT: Vice Mayor Burt moved, seconded by Council Member XX to add 60 percent of the ARPA funds to this year's budget and 40 percent to Fiscal Year 2023.

AMENDMENT FAILED DUE TO LACK OF A SECOND

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MOTION: Chair Cormack moved, seconded by Council Member Filseth to reduce the Council Contingency budget by \$100,000.

Vice Mayor Burt expressed that \$125,000 in the Council Contingency Fund was too low and was not enough to allow Council to react to future concerns.

Council Member Filseth noted that the Council does have \$100,000 in a Consulting Fund as well.

Vice Mayor Burt acknowledged that.

MOTION PASSED: 2-1 Burt no

Chair Cormack shared that the FY 2022 Proposed Budget assumed a BSR target of 18.5 percent which equated to \$37.8 million. If the Committee dropped the BSR to a 16.6 percent target, what dollar amount would that equate to.

Ms. Nose replied it is a \$3 million change.

MOTION: Council Member Filseth moved, seconded by Chair Cormack to reduce the Budget Stabilization Reserve (BSR) by \$2.5 million.

Chair Cormack confirmed that lowering the BSR makes her nervous because it's a risk. She supported lowering it now because there are encouraging signs in some of the City's revenue streams.

Vice Mayor Burt wanted to know what percentage would the BSR be at if the Committee recommended it be dropped by \$2.5 million.

Ms. Nose stated the BSR will be between 16.6 percent and 17.4 percent.

MOTION PASSED: 3-0

Chair Cormack asked if Staff has any other items the Committee should explore in terms of funding mechanisms.

Ms. Nose noted that it is the Committee's decision to explore other funding opportunities, not Staff's.

Vice Mayor Burt noticed that the Committee has not allocated any of the Stanford University Medical Center (SUMC) Funds to any parking lot items. He asked which items in the parking lot could be covered under the SUMC Fund.

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Ms. Nose indicated the Charleston Arastradero project, the Sustainability Climate Action Plan (S/CAP), community expansion litigation, the Capital Improvement Plan (CIP), and community-based organizations were highlighted as programs that can use the SUMC Fund.

Vice Mayor Burt confirmed that there is already \$50,000 in the Human Services Resource Allocation Process (HSRAP) and that should be funded with the SUMC Fund. He asked if Chair Cormack was thinking of adding the S/CAP to the parking lot list.

Chair Cormack answered no and stated that Staff would bring that to Council later in the year. She wanted to add \$50,000 to the Fire Department's budget for diversity hiring. She predicted that SUMC funds could not be used for HSRAP.

Vice Mayor Burt answered that SUMC funds can be used for HSRAP.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to add \$50,000 to Fire Budget for Diversity Training.

MOTION PASSED: 3-0

Vice Mayor Burt suggested using \$100,000 from the SUMC to provide additional funding for HSRAP and fund diversity training for the Fire Department.

Chair Cormack noted that the Committee has enough funds to restore all the items listed in the parking lot.

Vice Mayor Burt suggested not to fund the Fire Department diversity recruitment with SUMC funding.

MOTION: Vice Mayor Burt moved, seconded by Council Member Filseth to allocate \$50,000 Stanford University Medical Center funds (Community Health and Safety) toward HSRAP Allocation.

MOTION PASSED: 3-0

Council Member Filseth restated that all the funding mechanisms that are being proposed to be used are one-time funds and all of the parking lot items are reoccurring items. He restated that the budget strategy proposed to restore items may only work for FY 2023. He specified that the City will be deeper in the hole once ARPA funds are removed.

Chair Cormack suggested that Staff transcribed the three to five methods that the Committee has used to restore the parking lot items. She noted

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that the Committee has lowered the percentage of the BSR. Also, the Committee is using a 1-year solution and acknowledges that there will be a structural gap in FY 2023 unless revenues recover more quickly than the long-rang financial forecast anticipates.

Council Member Filseth added that expenses will increase as well for FY 2023 and so revenue has to go up faster than expenses.

Chair Cormack noted the third note to Council is that the Committee recommends that there be a 50/50 split of ARPA funds between FY 2022 and FY 2023, that the Committee wants to consider a moderate increase for the electric rate for FY 2022, and requested that Council directly engaging in discussions with Palo Alto Unified School District on cost-sharing for a variety of things such as crossing guards and Children’s Theater outreach programs.

Vice Mayor Burt did not characterize the use of the BSR as a risk increase but as a response to an emergency.

Chair Cormack summarized that the Committee is choosing to bring a budget to Council that does not have the BSR at the recommended target that was adopted by Council and that is a risk.

Council Member Filseth understood that both Chair Cormack and Vice Chair Burt are saying the same thing.

Chair Cormack asked if the Committee Members will present their notes to Council or Staff.

Mr. Shikada specified that the Committee should make that determination.

Chair Cormack indicated she is happy to cover the overview as long as it is listed in the Staff report.

Vice Mayor Burt suggested that Note 1 be changed to lowering the proposed level of the BSR for the next fiscal year.

Chair Cormack agreed with the language for Note 2.

Council Member Filseth observed that in terms of Note 2, FY 2024 will have an even larger structural gap.

Vice Mayor Burt indicated that there are still millions of dollars available in the SUMC Funds.

Council Member Filseth indicated that if those one-time funds are used in FY 2024 then the problem will be pushed to FY 2025.

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Chair Cormack noted that there was consensus among the Committee that Note three is an accurate statement. She moved to Note 4 and announced that there is consensus among the Committee members.

Ms. Nose suggested that the Committee provide a year for an increased electric rate in Note.

Vice Mayor Burt answered FY 2022.

Chair Cormack asked Vice Mayor Burt if he had any additions to Note 5.

Vice Mayor Burt recommended including co-sharing for Safe Routes to School in the discussion between Palo Alto Unified School District and the City. He suggested the language read Council or their representatives engage in discussions with Palo Alto Unified School District.

Chair Cormack supported Vice Mayor Burt's language. She asked if there is anything else that should be added to the list to bring up at Council.

Vice Mayor Burt replied he could not think of anything else.

Chair Cormack noted that budget recommendations assumed that the City achieves the \$1.6 million reduction in salaries from employees represented by unions.

Council Member Filseth acknowledged that the recommendations made for FY 2023 will impact FY 2024 and FY 2025. He requested that Staff explore what FY 2024 and FY 2025 budgets will look like.

Ms. Nose indicated that Staff will provide back-of-the-envelope math by the wrap-up meeting on May 25, 2021.

Chair Cormack asked if the Committee Members were comfortable having a ticketing price of \$10 for the Junior Museum and Zoo (JMZ).

Vice Mayor Burt commented that the reason to have a \$10 ticket price was to recognize that a larger increase would affect attendance.

Council Member Filseth wanted to encourage high attendance numbers at the JMZ and supported a \$10 price.

Chair Cormack was also comfortable with \$10. She recalled that having a ticket price of \$10 will result in a lower annual pass price.

Ms. O'Kane answered yes.

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Council Member Filseth restated that when Council sees the impacts to FY 2024 and FY 2025, Council will be forced to remove items that the Committee recommends to restore.

Chair Cormack agreed that she is also concerned about FY 2024.

Vice Mayor Burt was optimistic the economy will recover quickly and was optimistic about the future revenue mechanisms that Council and Staff were exploring.

Chair Cormack asked how many Staff members will be added to the patrol Staff for the Police Department.

Mr. Shikada answered five Staff positions.

Chair Cormack noted the Committee was in consensus on restoring the crossing guard service.

Vice Mayor Burt noted that using a sworn officer in the City Manager's Office is not the right approach. He encouraged an examination of how to address Staffing in the City Manager's Office. He shared that there has been interest in having a business development manager.

Council Member Filseth agreed with Vice Mayor Burt that the position should be reevaluated.

Chair Cormack clarified that the police department would receive funds to backfill the lieutenant.

Mr. Shikada confirmed that the item gives Staff the capacity to do that.

Chair Cormack suggested that Council address the topic of hiring a business development manager at the next recovery update. She asked when will Council receive that update.

Mr. Shikada replied on June 1, 2021.

Chair Cormack asked if administrative program was a position.

Robert Jonsen, Police Chief announced that is it not a person, but public outreach programs.

Ms. Nose added it is for expenses including travel supplies, general expenses for the department and includes reductions that would impact National Night Out and Parent Project advertising and supply, and promotion giveaways.

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Vice Mayor Burt specified that he agreed to restore all the items in the parking lot list and felt the Committee should not go through them one by one.

Chair Cormack summarized that Fire Station #2 will not be closed during the week, but will remain closed on nights and weekends.

Vice Mayor Burt indicated that the cuts made in FY 2021 to Fire Station #2 is a cut that the Committee and Council should explore restoring in FY 2023.

Council Member Filseth supported Chair Cormack's suggestion of adding \$50,000 to the Fire Department's Budget to diversity hiring.

Chair Cormack advised Staff to have the exact numbers for Downtown Library and College Terrace Library at the Council meeting. She asked the Committee if they felt comfortable adding \$125,000 to the Community Service Department for Staff's discretion.

Vice Mayor Burt answered he is ok with it.

Chair Cormack articulated that the item will be considered as a placeholder. She suggested that \$500,000 should remain in the Council's Uncertainty Reserve.

Vice Mayor Burt agreed and noted that the funds are intended for different purposes.

Chair Cormack called for comments regarding the Transportation Management Association (TMA).

Ms. Nose reported that Staff recommends reducing the TMA's budget based on the request from Palo Alto Transportation Management Association (PATMA).

Chair Cormack summarized Staff recommends reducing the budget from \$350,000 to \$240,000 based on a letter from PATMA.

Council Member Filseth wanted to see the TMA budget reduced to \$150,000.

Vice Mayor Burt supported Staff's proposal to reduce the budget to \$240,000 with the understanding that is an additional examination of the item will happen before the budget is complete.

Chair Cormack suggested that the item be placed on the list of questions to ask Council.

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Mr. Kamhi reminded the Committee that the funds are specific to the University Avenue Parking Funds and TMA funding does not help the General Fund directly.

Ms. Nose felt that TMA is not a timely action that needs action taken on it now. She noted that the City cannot spend the funds without coming back to Council with a contract with TMA that will include details on the services that are to be provided.

Council Member Filseth supported the budget for the TMA to be set at \$240,000.

Chair Cormack supported restoring the minute transcription service. She suggested Council should opine if up to \$1 million should be allocated to restore additional services, or go into the BSR, or increase the Council Uncertainty Reserve.

Council Member Filseth agreed that Council should discuss what to do with the remainder \$1 million.

Mr. Shikada noted that Staff will need leeway to check the math and the administrative functions necessary to deliver on the various changes.

Chair Cormack mentioned that the Committee went through the exercise of reviewing every item in the parking lot because the revenue mechanisms used to restore programs and services were not available a week ago.

Vice Mayor Burt argued that some of the revenues were not available but there are other prospective ones. He requested that the Chair not state her opinion as if it is factual and represents the Committee as a whole.

Chair Cormack emphasized that her comment was her own opinion, not the whole Committee's opinion.

Mr. Shikada commented that the Chair's comment acknowledges that Staff was following Council direction in preparing the FY 2022 Proposed Budget.

MOTION: Chair Cormack moved, seconded by Council Member Filseth to direct the Finance Committee to forward to Council the list of discussion points and adjustments to the Budget on the Staff spreadsheet.

MOTION PASSED: 3-0

Oral Communications

None.

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Future Meetings and Agendas

Chair Cormack reported that the Finance Committee will reconvene on May 25, 2021, for the budget wrap-up.

Kiely Nose, Administrative Services Director reminded the community that the Budget Survey is still open on the City's website.

Adjournment: The meeting was adjourned at 6:04 P.M.